

Message Text

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SUBJECT: PROCUREMENT FROM JAPANESE FINANCING FOR ASEAN
PROJECTS

REF: STATE 131106

"FOLLOWING IS A REPEAT
QUOTE
R 300939Z MAR 78
FM AMEMBASSY TOKYO 05222

1. SUMMARY: IT IS DOUBTFUL THAT THE INDONESIAN UREA
PROJECT WILL BE OPEN TO INTERNATIONAL BIDDING, NOR IS
IT CLEAR FROM HERE THAT THE PROJECT WILL GET UNDER WAY
THIS YEAR. EXCEPT FOR THE PHILIPPINE PROJECT, OTHER
ASEAN PROJECTS APPEAR TO BE PROGRESSING IN ACCORDANCE
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PAGE 02 STATE 132523

WITH AGREED UPON PROCEDURES. END SUMMARY.

2. OUR CONTACTS IN THE MINISTRY OF INTERNATIONAL TRADE
AND INDUSTRY (MITI) ARE NOT OPTIMISTIC ABOUT EITHER
THE START-UP THIS YEAR, OR THE OPEN-BIDDING POSSIBILITY
OF THE INDONESIAN UREA PLANT PROJECT. AS REPORTED IN
JAKARTA 2981, PARA 5, A JAPANESE TEAM SPENT ABOUT FOUR

WEEKS IN INDONESIA IN FEBRUARY ON A FEASIBILITY STUDY. ITS REPORT IS DUE SOMETIME IN MAY. THE GOJ WILL BASE A DECISION ON WHETHER TO GO AHEAD WITH THE PROJECT BASED ON THE TEAM'S REPORT, AND IF THE DECISION IS FAVORABLE, DETAILS OF THE PROJECT, INCLUDING FINANCING AND BIDDING PROCEDURES, WILL THEN BE WORKED OUT. WE ARE TOLD THAT BECAUSE THIS PROJECT, AS WELL AS THE OTHER ASEAN PROJECTS, WILL BE PARTLY FINANCED PRIVATELY, IT IS UNLIKELY THAT THE LOANS WILL BE UNTIED. IN FACT, ACCORDING TO MITI, THE INDONESIANS THEMSELVES ASKED THAT THE LOANS BE TIED - THOUGH IT IS NOT CLEAR WHETHER OR NOT LDC PROCUREMENT WOULD ALSO BE POSSIBLE.

3. FOLLOWING IS MITI DESCRIPTION OF STATUS OF ASEAN PROJECTS: THE TOTAL PACKAGE PLEDGED BY PRIME MINISTER FUKUDA DURING HIS AUGUST 1977 TRIP TO ASEAN COUNTRIES AND BURMA COMES TO OVER 1.5 BILLION DOLLARS, OF WHICH ABOUT 1 BILLION DOLLARS WOULD BE EARMARKED FOR THE FIVE ASEAN PROJECTS, 548 MILLION DOLLARS IN YEN CREDITS, AND 32 MILLION DOLLARS IN GRANTS. THE AGREED PROCEDURE FOR ASEAN PROJECTS IS THAT EACH COUNTRY WILL CONDUCT ITS OWN FEASIBILITY STUDY, AND OBTAIN THE APPROVAL OF OTHER ASEAN COUNTRIES TO HAVE THE PROJECTS DESIGNATED AS AN ASEAN PROJECTS. FOLLOWING THIS, THE GOJ WILL DECIDE WHETHER IT SHOULD SEND ITS OWN SURVEY TEAM TO THE COUNTRY. IN ADDITION TO THE INDONESIA PROJECT, WE UNDERSTAND THAT LIMITED OFFICIAL USE

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PAGE 03 STATE 132523

FEASIBILITY STUDIES HAVE BEEN UNDERTAKEN ON ALL THE OTHER PROJECTS, EXCEPT THE PHILIPPINE SUPERPHOSPHATE OF LIME PROJECT, AND THEY ARE NOW READY FOR ASEAN DESIGNATIONS, EXPECTED TO BE MADE AT THE NEXT ASEAN MINISTERIAL MEETING IN APRIL OR MAY. IN ACCORDANCE WITH THE PROCEDURE OUT-LINED ABOVE, FOLLOWING SUCH DESIGNATION, THE GOJ WILL MAKE ITS OWN EVALUATION OF THE PROJECTS, BUT THERE IS AS YET NO SCHEDULE FOR THIS.

4. WITH REGARD TO THE REMAINDER OF THE FUKUDA PACKAGE, LOAN AGREEMENTS HAVE BEEN SIGNED BY JAPAN'S OVERSEAS ECONOMIC COOPERATION FUND FOR 151 MILLION DOLLARS IN YEN CREDITS, AND THESE ARE READY TO BE DISBURSED. NOTES HAVE BEEN EXCHANGED BETWEEN THE GOVERNMENT OF JAPAN AND THE RECIPIENT COUNTRIES COVERING THE REMAINING 429 MILLION DOLLARS, BUT NO AGREEMENTS HAVE BEEN SIGNED. JAPAN HAS AGREED TO INCREASE THE AMOUNT OF YEN CREDITS TO THAILAND BY 20 MILLION DOLLARS TO 135 MILLION DOLLARS. FINALLY, NOTES HAVE BEEN EXCHANGED ON THE GRANT PORTION OF THE PACKAGE, AND THEY ARE READY TO BE DISBURSED. VANCE UNQUOTE CHRISTOPHER

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